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POP MART

POP MART INTERNATIONAL GROUP LIMITED

泡泡瑪特國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9992)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

INTERIM RESULTS HIGHLIGHTS

	For the six months ended 30 June 2022 RMB'000 (Unaudited)	For the six months ended 30 June 2021 RMB'000 (Unaudited)	Change (%)
Revenue	2,358,818	1,772,577	33.1%
Gross profit	1,370,407	1,117,065	22.7%
Operating profit	446,057	486,687	-8.3%
Profit before income tax	457,936	496,555	-7.8%
Profit for the period	332,945	358,798	-7.2%
Profit attributable to owners of the Company	332,820	358,742	-7.2%
Non-IFRS adjusted net profit	376,285	435,189	-13.5%
Basic earnings per share (RMB cents)	24.18	26.04	-7.1%
Diluted earnings per share (RMB cents)	24.17	26.02	-7.1%

The board of directors (the “**Board**”) of Pop Mart International Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”). The contents of this interim results announcement have been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of interim results.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	2,358,818	1,772,577
Cost of sales	5	(988,411)	(655,512)
Gross profit		<u>1,370,407</u>	<u>1,117,065</u>
Distribution and selling expenses	5	(693,230)	(419,780)
General and administrative expenses	5	(322,679)	(239,673)
Reversal of/(provision for) impairment losses on financial assets		80	(3,296)
Other income	6	24,335	25,425
Other gains-net	7	67,144	6,946
Operating profit		<u>446,057</u>	<u>486,687</u>
Finance income	8	22,992	13,888
Finance expenses	8	(15,981)	(8,160)
Finance income-net	8	<u>7,011</u>	<u>5,728</u>
Share of profit of investments accounted for using the equity method		<u>4,868</u>	<u>4,140</u>
Profit before income tax		<u>457,936</u>	<u>496,555</u>
Income tax expense	9	(124,991)	(137,757)
Profit for the period		<u><u>332,945</u></u>	<u><u>358,798</u></u>
Profit for the period attributable to:			
Owners of the Company		332,820	358,742
Non-controlling interests		125	56

		Six months ended 30 June	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
– Currency translation differences		<u>5,727</u>	<u>(3,198)</u>
Items that will not be reclassified to profit or loss			
– Currency translation differences		<u>237,129</u>	<u>(51,275)</u>
Other comprehensive income/(loss)			
for the period, net of tax		<u>242,856</u>	<u>(54,473)</u>
Total comprehensive income for the period		<u>575,801</u>	<u>304,325</u>
Total comprehensive income for the period attributable to:			
– Owners of the Company		575,590	304,336
– Non-controlling interests		211	(11)
Earnings per share for profit attributable to owners of the Company			
Basic (expressed in RMB cents per share)	<i>11</i>	24.18	26.04
Diluted (expressed in RMB cents per share)	<i>11</i>	<u>24.17</u>	<u>26.02</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Assets			
Non-current assets			
Property, plant and equipment		403,986	366,281
Intangible assets		119,378	134,032
Right-of-use assets		640,044	609,517
Investments accounted for using the equity method		67,969	61,539
Financial assets at fair value through profit or loss		471,235	328,688
Prepayments and other non-current assets		14,676	30,727
Deferred income tax assets		30,633	35,553
		1,747,921	1,566,337
Total non-current assets			
Current assets			
Trade receivables	12	132,442	171,334
Other receivables		197,104	154,939
Inventories		957,448	788,829
Prepayments and other current assets		374,916	353,580
Financial assets at fair value through profit or loss		13,926	20,544
Restricted cash		3,494	3,353
Term deposits with initial term over three months and within one year		4,087,243	–
Cash and cash equivalents		1,075,380	5,264,710
		6,841,953	6,757,289
Total current assets			
		8,589,874	8,323,626
Total assets			

	<i>Note</i>	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Equity			
Share capital	13	920	923
Shares held for share award scheme		(15)	(15)
Other reserves		4,984,732	5,023,583
Retained earnings		<u>2,126,511</u>	<u>1,793,691</u>
Equity attributable to owners of the Company		7,112,148	6,818,182
Non-controlling interests in equity		<u>2,035</u>	<u>1,824</u>
Total equity		<u>7,114,183</u>	<u>6,820,006</u>
Liabilities			
Non-current liabilities			
License fees payables	15	28,160	46,371
Lease liabilities		<u>421,409</u>	<u>364,543</u>
Total non-current liabilities		<u>449,569</u>	<u>410,914</u>
Current liabilities			
Trade payables	14	308,470	266,098
License fees payables	15	106,465	86,004
Other payables		196,189	266,902
Contract liabilities		93,331	119,624
Lease liabilities		256,051	256,909
Current income tax liabilities		<u>65,616</u>	<u>97,169</u>
Total current liabilities		<u>1,026,122</u>	<u>1,092,706</u>
Total liabilities		<u>1,475,691</u>	<u>1,503,620</u>
Total equity and liabilities		<u><u>8,589,874</u></u>	<u><u>8,323,626</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Pop Mart International Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 9 May 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the product design and development and sale of pop toys in the People’s Republic of China and certain overseas countries and regions. The ultimate holding company of the Company is GWF Holding Limited (formerly known as Grant Wang Holding Limited), which is controlled by Mr. Wang Ning and his spouse, Ms. Yang Tao.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) since 11 December 2020.

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the board of directors of the Company on 25 August 2022.

This interim condensed consolidated financial information for the six months ended 30 June 2022 has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”).

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies applied to the preparation of this interim condensed consolidated financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2021, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings. A number of amended standards and annual improvement became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

Impact of standards issued but not yet applied by the Group

Certain new or amended accounting standards have been published but are not mandatory for reporting period commencing 1 January 2022 and have not been early adopted by the Group. These new or amended standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 REVENUE AND SEGMENT INFORMATION

Management determines the operating segments based on the reports reviewed by the chief operating decision-makers (“CODM”, being the executive directors of the Group) that are used to make strategic decisions. The Group’s revenue, expenses, assets, liabilities and capital expenditures are primarily attributable to the sales of pop toys to external customers, which are considered as one segment. The Group’s principal market is the Mainland China and its sales to Hong Kong, Macao, Taiwan and overseas regions customers contributed to less than 10% of the total revenues for the six months ended 30 June 2022 and 2021. Accordingly, no geographical information other than revenue is presented.

Breakdown of revenue by business lines is as follows:

	Six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue from the Mainland China		
Revenue from retail store sales	891,701	672,760
Revenue from online sales	977,933	666,290
Revenue from roboshop sales	203,957	226,769
Revenue from wholesales	128,537	146,879
	<hr/>	<hr/>
Subtotal	2,202,128	1,712,698
	<hr/> <hr/>	<hr/> <hr/>
Revenue from Hong Kong, Macao, Taiwan and overseas regions		
Revenue from retail store sales	34,794	2,526
Revenue from online sales	34,829	11,991
Revenue from roboshop sales	3,863	792
Revenue from wholesales	83,204	44,570
	<hr/>	<hr/>
Subtotal	156,690	59,879
	<hr/> <hr/>	<hr/> <hr/>
Total	2,358,818	1,772,577
	<hr/> <hr/>	<hr/> <hr/>
	Six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue		
Point-in-time	2,358,818	1,772,577
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	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Revenue recognised on a gross basis	2,356,911	1,772,577
Revenue recognised on a net basis (i)	1,907	–
	<u>2,358,818</u>	<u>1,772,577</u>
Total	<u>2,358,818</u>	<u>1,772,577</u>

- (i) Certain revenue generated from consignment sales of art derivatives in an art promotion institution is recognised on a net basis when the Group acts as an agent in the transactions and does not take inventory risk or have latitude in establishing prices for the products.

During the six months ended 30 June 2022 and 2021, no revenue derived from transactions with a single customer represent 10% or more of the Group's total revenue.

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of goods	867,981	518,947
Employee benefit expenses	402,213	278,584
Depreciation of right-of-use assets	150,698	89,814
Advertising and marketing expenses	114,095	56,754
Depreciation on property, plant and equipment	93,143	62,588
Transportation and logistics expenses	89,897	47,476
E-commerce platform service charges	55,455	39,491
Expenses relating to short-term leases and variable leases not included in lease liabilities	48,747	46,326
Amortisation of intangible assets	35,510	19,152
Design and license fees	32,943	64,036
Taxes and surcharges	13,076	15,292
Impairment of inventory	4,431	165
Commissions to roboshop partners	935	4,461
Auditor's remuneration	1,500	1,500
Others	93,696	70,379
	<u>2,004,320</u>	<u>1,314,965</u>
Total	<u>2,004,320</u>	<u>1,314,965</u>

6 OTHER INCOME

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income		
License fee income	18,890	17,772
Government grants (i)	4,765	6,704
Others	680	949
Total	24,335	25,425

- (i) The amounts represent government grants related to income which are received from the local government for the contribution to the local economic growth. These grants are recognised in interim condensed consolidated statement of profit or loss and other comprehensive income upon the receipt. There are no unfulfilled conditions or contingencies relating to these grants.

7 OTHER GAINS – NET

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Changes in fair value of financial instruments at fair value through profit or loss	67,304	12,766
Exchange gain or loss	1,386	(878)
Donation	(1,057)	(3,070)
Others	(489)	(1,872)
Total	67,144	6,946

8 FINANCE INCOME – NET

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
– Interest income on bank deposits	22,992	13,888
Finance expenses		
– Interest expenses on lease liabilities	(14,194)	(7,694)
– Others	(1,787)	(466)
	<u>(15,981)</u>	<u>(8,160)</u>
Finance income -net	<u>7,011</u>	<u>5,728</u>

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	120,071	140,551
– Hong Kong profits tax	235	3,027
– The PRC corporate income tax	119,836	137,524
Deferred income tax expense/(credit)	<u>4,920</u>	<u>(2,794)</u>
Income tax expense	<u>124,991</u>	<u>137,757</u>

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2022 is approximately 27.3% (six months ended 30 June 2021: 27.7%).

10 DIVIDENDS

Pursuant to a resolution passed on 1 June 2022, the shareholders of the Company approved a final dividend of RMB15.24 cents per ordinary share of the Company, amounting to RMB209,490,000 (which are net of the dividend of RMB3,500,000 attributable to the shares held for the share award scheme) for the year ended 31 December 2021. As at 30 June 2022, all dividends have been paid.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022.

11 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held for share award scheme and shares repurchased during the six months ended 30 June 2022 and 2021.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	332,820	358,742
Weighted average number of ordinary shares in issue less shares held for share award scheme and shares repurchased (in thousands)	1,376,505	1,377,607
Basic earnings per share (expressed in RMB cents per share)	<u>24.18</u>	<u>26.04</u>

(b) Dilute earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2022 is set out below:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	332,820	358,742
Profit used to determine diluted earnings per share (RMB'000)	332,820	358,742
Weighted average number of ordinary shares in issue less shares held for share award scheme and shares repurchased (in thousands)	1,376,505	1,377,607
Adjustment for		
– Restricted Shares granted and assumed vested (in thousands)	417	976
Weighted average number of shares for diluted earnings per shares (in thousands)	1,376,922	1,378,583
Diluted earnings per share (expressed in RMB cents per share)	<u>24.17</u>	<u>26.02</u>

For the six months ended 30 June 2022 and 2021, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprised shares which may be granted and assumed vested under the Post-IPO Share Award Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's ordinary shares during the six months ended 30 June 2022) based on the monetary value of the subscription rights attached to the outstanding shares granted under the Post-IPO Share Award Scheme (defined as the "Restricted Shares"). The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Restricted Shares.

12 TRADE RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables (a)		
– Third parties	71,444	120,273
– Related parties	63,952	54,255
Subtotal	135,396	174,528
Less: provision for impairment (b)	(2,954)	(3,194)
Total trade receivables	132,442	171,334

- (a) For trade receivables from retail store sales and online sales, the amounts are usually settled in cash, by credit/debit cards or through online payment platforms. For wholesale transactions, trade receivables are settled within the credit terms as agreed in sales contracts. The majority of these wholesalers are with credit terms of 30 to 90 days. Certain customers with good history and long-term relationship are extended preferential credit terms of up to 180 days.

An aging analysis of the trade receivables based on invoice date is as follows:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 3 months	127,961	162,250
3 months to 6 months	5,905	10,476
Over 6 months	1,530	1,802
Total	135,396	174,528

- (b) The Group applies the IFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables.

Movements in impairment of trade receivables is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
As at 1 January	3,194	2,265
(Reversal of)/Provision for impairment allowance of trade receivables	<u>(240)</u>	<u>3,121</u>
As at 30 June	<u>2,954</u>	<u>5,386</u>

13 SHARE CAPITAL

Authorised:

	Number of ordinary shares	Nominal value of ordinary shares USD'000
Ordinary shares of US\$0.0001 each On 1 January 2021, 31 December 2021 and 30 June 2022	<u>5,000,000,000</u>	<u>500</u>

Issued and fully paid ordinary shares:

	Number of ordinary shares	Unaudited		Number of preferred shares	Nominal value of preferred shares USD'000	Nominal value of preferred shares RMB'000
		Nominal value of ordinary shares USD'000	Nominal value of ordinary shares RMB'000			
At 1 January 2022,						
30 June 2021, 1 January 2021	1,401,937,550	141	923	-	-	-
Shares repurchased and cancelled (i)	<u>(4,365,400)</u>	-	<u>(3)</u>	-	-	-
At 30 June 2022	<u>1,397,572,150</u>	<u>141</u>	<u>920</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (i) During the six months ended 30 June 2022, the Company repurchased a total of 4,365,400 its own ordinary shares on the Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately RMB120,008,000. As at 30 June 2022, all of the repurchased ordinary shares have been cancelled.

14 TRADE PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Merchandise payables	<u>308,470</u>	<u>266,098</u>

The credit terms of merchandise payables granted by the suppliers are usually current to 180 days. As at 30 June 2022 and 31 December 2021, the aging analysis of the merchandise payables based on invoice date were as follow:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 30 days	117,075	99,606
30 to 90 days	123,030	122,444
90 to 180 days	42,045	19,447
Over 180 days	<u>26,320</u>	<u>24,601</u>
	<u>308,470</u>	<u>266,098</u>

15 LICENSE FEES PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
License fees payables	134,625	132,375
Less: non-current portion	<u>(28,160)</u>	<u>(46,371)</u>
Current portion	<u>106,465</u>	<u>86,004</u>

Pursuant to the license agreements, fixed minimum payments are payable in tranches during the contracted term while variable payments that depend on sales are payable in the period in which the condition that triggers those payments occurs.

Movement in license fees payables during the period is analysed as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
As at 1 January	132,375	86,814
Additions	77,847	78,921
Payment	(77,364)	(82,325)
Amortisation of discount	1,787	–
Adjustment for exchange difference	<u>(20)</u>	<u>115</u>
As at 30 June	<u>134,625</u>	<u>83,525</u>

Analysis of license fees payables:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
1-2 year	18,775	26,674
2-5 year	6,142	16,346
More than 5 years	<u>3,243</u>	<u>3,351</u>
Non-current	<u>28,160</u>	<u>46,371</u>
Current	<u>106,465</u>	<u>86,004</u>

16 CONTINGENCY

On 28 August 2020, Beijing Pop Mart received a court summons dated 19 August 2020 in relation to a claim brought by Golden Eagle International Retail Group (China) Co., Ltd. (“**Golden Eagle International**”) as a shareholder on behalf of Nanjing Golden Eagle Pop Mart Co., Ltd. (“**Nanjing Pop Mart**”) at the Jiangsu Nanjing Intermediate People’s Court against Beijing Pop Mart, alleging, among others, that Beijing Pop Mart had breached an investment cooperation agreement dated 29 April 2014 which was entered into among Golden Eagle International, Mr. Wang Ning and other then shareholders of Beijing Pop Mart. Pursuant to the claim, Golden Eagle International claimed that (i) Beijing Pop Mart should cease to operate the claimed stores in certain exclusive areas; and (ii) Beijing Pop Mart should return an amount of approximately RMB117.2 million to Nanjing Pop Mart, which represents the alleged gross profits obtained by Beijing Pop Mart for the year ended 31 December 2019 from operating the claimed stores in the exclusive areas.

On 17 June 2021 and 10 June 2022, two hearings of the above case were held respectively, and the major proceedings were the collection and verification of further information provided by Golden Eagle International and the Group. Up to the date of approval of this interim condensed consolidated financial information, the above case is still in process.

No provision in relation to this claim has been recognised in the consolidated financial statements for the year ended 31 December 2021 or the interim condensed consolidated financial information for the six months ended 30 June 2022, as the Mainland China legal adviser of the Company advised that the claim brought by Golden Eagle International is groundless, the likelihood that the claim will be decided in favour of Golden Eagle International is very low, the risk exposure of the Group from the claim is minimal and the claim will not have a material adverse impact on the Group’s operations and financial performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2022, many major regions and cities were subjected to travelling restrictions because of the recurring epidemic which resulted in short-term influences on the economy of such locations. Despite the dramatic impact on the consumer industry caused by the epidemic, our revenue amounted to RMB2,358.8 million, representing a year-on-year increase of 33.1%, while our non-IFRS adjusted net profit amounted to RMB376.3 million. During the period, we strategically focused on the further development of our pop toy business to consistently implement our long-term established strategy and development direction. We remained to regard artists development, IP operation, consumer access, pop toy culture promotion and innovative business incubation as our major business focus.

Artists Development and IP Operation

IP operation as well as creation and design are essential to our products, which are the key drivers for the development of Pop Mart. We continuously enrich our types of IP and launch products of diversified styles to meet the demands of different customers.

In the first half of 2022, our top IPs continued to launch new products, and the performance of new series remained strong. In the first half of 2022, revenue generated from SKULLPANDA, Molly and Dimoo amounted to RMB461.8 million, RMB404.3 million and RMB298.4 million, respectively, representing a year-on-year increase of 152.3%, 98.3% and 45.6%, respectively. As of 30 June 2022, revenue from City of Night, the fifth series of SKULLPANDA launched in January 2022, amounted to RMB179.1 million. Revenue generated from Sweet Bean series, launched by our in-house design team PDC (Pop Design Center), amounted to RMB81.2 million in the first half of 2022, representing a year-on-year increase of 27.5%. In 2021, our new IP Hirono launched its first series The Other One, which was much loved by the fans because of its unique design style. This series contributed a revenue of RMB34.9 million in the first half of 2022.

As a high-end production line created because of our promotion of “pop toy as art”, the “MEGA Collection Series” represents high-quality and is characterized by both fashion and a deep sense of moral. In terms of brand crossover, in the first half of 2022, we joined with Moncler and Coca-Cola to launch heavyweight co-brand models; in terms of artist collaboration, we collaborated with Han Meilin, Hiroto Ohkubo and PHILIP COLBERT to re-present their diverse art style in the form of pop toys. Meanwhile, we launched MEGA Collection products for JUST DIMOO and α SKULLPANDA, with an innovative and in-depth collaboration and the continuous exploration of high-end pop toy. In the first half of 2022, the revenue of the “MEGA Collection Series” amounted to RMB193.4 million, which exceeded the revenue generated throughout last year.

Consumer Access

– *Offline channels*

In response to the uncertainty of the epidemic, we slowed down our store opening plan for new physical stores and roboshops. In the first half of 2022, we opened 23 new physical stores in Mainland China. The number of physical stores increased from 288 as of 31 December 2021 to 308¹ as of 30 June 2022. In the first half of 2022, we opened 55 roboshops in Mainland China. The number of roboshops increased from 1,861 as of 31 December 2021 to 1,916 as of 30 June 2022.

– *Online channels*

Pop Draw is a mini program independently invented and developed by us on WeChat platform, aiming to create fun and interesting shopping experience. In the first half of 2022, revenue amounted to RMB543.5 million, representing a year-on-year increase of 67.2%. In the first half of 2022, the revenue of Tmall Flagship stores amounted to RMB244.9 million, representing a year-on-year increase of 11.8%, and in the same period, the revenue of JD.com Flagship stores amounted to RMB70.2 million, representing a year-on-year increase of 50.0%.

– *Member operation*

By continuous channel expansion and IPs portfolio enhancement, through omni-channel member operation, the scale of user digitalization grew rapidly. As of 30 June 2022, the total number of registered members increased from 19.580 million as at 31 December 2021 to 23.059 million. In particular, there were 3.479 million new registered members. During the first half of 2022, the sales contributed by our members represents 93.1% of total sales, with repeat purchase rate of our member of 47.9%².

– *Hong Kong, Macao, Taiwan and overseas channels*

In the first half of 2022, we changed Hong Kong, Macao, Taiwan and oversea business from To B-oriented model to DTC (Direct To Customer) model. As at 30 June 2022, the number of our stores in Hong Kong, Macao, Taiwan and overseas cities amounted to 24 (including franchise) and the number of roboshops amounted to 98 (including franchise), respectively, with overseas e-commerce platforms reaching 11. We established our first offline physical store in the United Kingdom, New Zealand, and the United States in the first half of this year. The brand and products of Pop Mart are favored by overseas consumers as the channels increased.

¹ In the first half of 2022, due to lease expiration and other commercial reasons, we closed 3 stores.

² The proportion of members who made purchase for twice or more during the first half of 2022.

Pop Toy Culture Promotion and Innovative Business Incubation

In 2022, Pop Mart established a “GONG Studio”, where boundless hard-core derivative brands under the Group are designed, and the studio launched the first product which was a movable alloyed action figure, Buzz Lightyear.

In the first half of 2022, an art promotion organization Inner Flow under Pop Mart organized the first individual exhibition for contracted artist MEIYING. In April 2022, Inner Flow launched an official online app, which includes artistic derivatives such as prints and sculptures. Currently, Inner Flow have signed almost existing 20 young artists.

In April 2022, the first POP TOY AWARD, PTA2022 was held, which was the first industry-wide design competition, aiming to select to inspire creative artists and support up-and-coming designers in the entrepreneurial development period, and create a platform for new artists to display their original works.

This year, Pop Mart speeds up the promotion of brand globalization by boosting the broadcast of pop toy culture overseas. In February 2022, Pop Mart organized “The Journey of Art Toys” in Expo Dubai. The exhibition showcased many pop toys of different IP series such as MOLLY and DIMOO and attracted visitors around the world. In March 2022, Pop Mart held a mall exhibition that themed BUNNY in Singapore to show overseas consumers the attractiveness of China’s original IP of pop toys.

Pop Mart continued to promote the pop toy culture to its fans and published the sixth and seventh issues of our internal magazine “PLAYGROUND” for members in the first half of 2022. We launched 30 episodes of podcasts, inviting artists, designers and industry participants to help its fans better understand the pop toy culture.

FINANCIAL REVIEW

Sales revenue

Revenue of the Company increased from RMB1,772.6 million for the first half of 2021 to RMB2,358.8 million for the first half of 2022, representing a year-on-year increase of 33.1%.

Revenue by channels

Revenue of the Company is generated in Mainland China and Hong Kong, Macao, Taiwan and overseas regions through: 1. offline channels; 2. online channels; and 3. wholesales channels and others. The following table sets out the Company’s revenue by channels for the first half of 2022 and the first half of 2021:

	For the six months ended 30 June 2022			For the six months ended 30 June 2021		
	Revenue <i>RMB'000</i>	Gross profit margin	Proportion of revenue	Revenue <i>RMB'000</i>	Gross profit margin	Proportion of revenue
Mainland China						
Offline Channels	1,095,658	60.6%	46.4%	899,529	64.8%	50.7%
Online Channels	977,933	59.2%	41.5%	666,290	67.3%	37.6%
Wholesales and others	128,537	29.8%	5.5%	146,879	40.3%	8.3%
Total	2,202,128	58.2%	93.4%	1,712,698	63.6%	96.6%
Hong Kong, Macao, Taiwan and overseas regions						
Offline Channels	38,657	68.9%	1.6%	3,318	61.9%	0.2%
Online Channels	34,829	74.3%	1.5%	11,991	65.8%	0.7%
Wholesales and others	83,204	44.2%	3.5%	44,570	39.2%	2.5%
Total	156,690	57.0%	6.6%	59,879	45.8%	3.4%
Grand total	2,358,818	58.1%	100.0%	1,772,577	63.0%	100.0%

(1) *Mainland China*

Offline channels. Revenue from offline sales increased by 21.8% from RMB899.5 million for the first half of 2021 to RMB1,095.7 million for the first half of 2022. The table below sets forth a breakdown of revenue from offline sales by channel and the city tier:

	For the six months ended 30 June 2022		For the six months ended 30 June 2021		Change
	Revenue <i>RMB'000</i>	Proportion of revenue from offline channels in Mainland China	Revenue <i>RMB'000</i>	Proportion of revenue from offline channels in Mainland China	
Retail stores	891,701	81.4%	672,760	74.8%	32.5%
Roboshops	203,957	18.6%	226,769	25.2%	-10.1%
Total	1,095,658	100.0%	899,529	100.0%	21.8%

City tier	Retail Stores				Roboshops			
	For the six months ended 30 June 2022		2021		For the six months ended 30 June 2022		2021	
	Number of stores	Revenue RMB'000	Number of stores	Revenue RMB'000	Number of stores	Revenue RMB'000	Number of stores	Revenue RMB'000
First-tier cities ³	117	340,755	91	323,831	547	51,118	473	72,389
New first-tier cities ⁴	89	270,860	64	197,930	603	64,349	483	74,093
Second-tier and other cities ⁵	102	280,086	60	150,999	766	88,490	521	80,287
Total	308	891,701	215	672,760	1,916	203,957	1,477	226,769

- **Retail stores.** Revenue from retail store sales increased by 32.5% year on year from RMB672.8 million for the first half of 2021 to RMB891.7 million for the first half of 2022, primarily due to the followings: (1) the number of retail stores increased to 308 in Mainland China as of 30 June 2022, which had increased by 93 as of 30 June 2021; (2) a total of 133 retail stores shut down for one week to three months given the pandemic outbreaks in numerous locations in the first half of 2022, causing significant impact on the retail store sales.
- **Roboshops.** Revenue from roboshop sales decreased by 10.1% year on year from RMB226.8 million for the first half of 2021 to RMB204.0 million for the first half of 2022, primarily due to the followings: (1) as of 30 June 2022, there were a total of 1,916 roboshops, which had increased by 439 as of 30 June 2021. Given the “Radar” function of the robots, we chose to open roboshops in the shopping malls where the robots achieve higher sales, which split and diluted the sales of roboshops, thus resulting in a decrease in the sales of some robots; (2) a total of 324 roboshops shut down for one week to three months given the pandemic outbreaks in numerous locations in the first half of 2022, causing significant impact on the roboshop sales.

³ Refers to the first-tier cities in Mainland China, including Beijing, Shanghai, Guangzhou and Shenzhen

⁴ Refers to the new first-tier cities in Mainland China, including Chengdu, Chongqing, Hangzhou, Wuhan, Xi'an, Zhengzhou, Qingdao, Changsha, Tianjin, Suzhou, Nanjing, Dongguan, Shenyang, Hefei and Foshan

⁵ Refers to the cities other than first-tier cities and new first-tier cities in Mainland China

Online channels. Revenue from online sales increased by 46.8% from RMB666.3 million for the first half of 2021 to RMB977.9 million for the first half of 2022. The table below sets forth a breakdown of revenue from online sales:

	For the six months ended 30 June 2022		For the six months ended 30 June 2021		Change
	Revenue <i>RMB'000</i>	Proportion of revenue from online channels in Mainland China	Revenue <i>RMB'000</i>	Proportion of revenue from online channels in Mainland China	
Pop Draw	543,516	55.6%	325,023	48.8%	67.2%
Tmall flagship store	244,882	25.0%	219,000	32.9%	11.8%
JD.com flagship store	70,198	7.2%	46,804	7.0%	50.0%
Other online channels	119,337	12.2%	75,463	11.3%	58.1%
Total	977,933	100.0%	666,290	100.0%	46.8%

Online revenue sources in Mainland China include Pop Draw, Tmall flagship store, JD.com flagship store and other online channels. In particular, revenue from Pop Draw increased by 67.2% from RMB325.0 million for the first half of 2021 to RMB543.5 million for the first half of 2022; revenue from Tmall flagship store increased by 11.8% from RMB219.0 million for the first half of 2021 to RMB244.9 million for the first half of 2022; revenue from JD.com flagship store increased by 50.0% from RMB46.8 million for the first half of 2021 to RMB70.2 million for the first half of 2022. The increase in revenue from online channels for the first half of 2022 was primarily due to the stronger brand influence and the increased number of members, despite the relatively significant impact on our online channels due to the pandemic.

Wholesales and others. Revenue from wholesales and others decreased by 12.5% from RMB146.9 million for the first half of 2021 to RMB128.5 million for the first half of 2022, primarily due to effects of the pandemic on our distributor, Nanjing Pop Mart, whose procurement from Beijing Pop Mart Culture & Creative Co., Ltd. reduced due to the decreased store sales.

(2) *Hong Kong, Macao, Taiwan and overseas regions*

Offline channels. Revenue from offline sales increased by 1,065.1% from RMB3.3 million for the first half of 2021 to RMB38.7 million for the first half of 2022. The table below sets forth a breakdown of revenue from offline sales:

	For the six months ended 30 June 2022		For the six months ended 30 June 2021		Change
	Revenue <i>RMB'000</i>	Proportion of revenue from offline channels in Hong Kong, Macao, Taiwan and overseas regions	Revenue <i>RMB'000</i>	Proportion of revenue from offline channels in Hong Kong, Macao, Taiwan and overseas regions	
Retail stores	34,794	90.0%	2,526	76.1%	1,277.4%
Roboshops	3,863	10.0%	792	23.9%	387.8%
Total	38,657	100.0%	3,318	100.0%	1,065.1%

- **Retail stores.** Revenue from retail store sales increased by 1,277.4% year on year from RMB2.5 million for the first half of 2021 to RMB34.8 million for the first half of 2022, primarily due to the increase in the number of retail stores, continuous expansion of channels in other regions outside the Mainland China and opening of retail stores in more countries and regions. As of 30 June 2022, there were a total of 11 retail stores, which had increased by 9 from 30 June 2021.
- **Roboshops.** Revenue from roboshop sales increased by 387.8% year on year from RMB0.8 million for the first half of 2021 to RMB3.9 million for the first half of 2022, primarily due to an increase in the number of roboshops. As of 30 June 2022, there were a total of 20 roboshops, which had increased by 13 as compared to 30 June 2021; while continuously opening roboshops in more countries and regions.

Online channels. Revenue from online sales increased by 190.5% from RMB12.0 million for the first half of 2021 to RMB34.8 million for the first half of 2022. The table below sets forth a breakdown of revenue from online sales:

	For the six months ended 30 June 2022		For the six months ended 30 June 2021		Change
	Revenue RMB'000	Proportion of revenue from online channels in Hong Kong, Macao, Taiwan and overseas regions	Revenue RMB'000	Proportion of revenue from online channels in Hong Kong, Macao, Taiwan and overseas regions	
Pop Mart official website	16,053	46.1%	5,516	46.0%	191.0%
Amazon	9,295	26.7%	779	6.5%	1,093.2%
Other online channels	9,481	27.2%	5,696	47.5%	66.5%
Total	34,829	100.0%	11,991	100.0%	190.5%

Online revenue sources in Hong Kong, Macao, Taiwan and overseas regions include Pop Mart official website, Amazon, and other online channels. Revenue from Pop Mart official website increased by 191.0% from RMB5.5 million for the first half of 2021 to RMB16.1 million for the first half of 2022. Revenue from Amazon increased by 1,093.2% from RMB0.8 million for the first half of 2021 to RMB9.3 million for the first half of 2022, primarily due to the following reasons: we sped up efforts to advance the building of cross-border e-commerce platform sites, improve channel structure, and we strived to build brand image through media advertising and community operation, and improve service and logistics process, thus enhancing customers interaction and shopping experience.

Wholesales and others. Revenue from wholesales and others in Hong Kong, Macao, Taiwan and overseas regions increased by 86.7% from RMB44.6 million for the first half of 2021 to RMB83.2 million for the first half of 2022, primarily due to the continuous expansion of our business in Hong Kong, Macao, Taiwan and overseas regions, while the brand and products of Pop Mart are recognized and accepted by more consumers.

Revenue by IPs

Pop Mart proprietary products are our major product type. In the first half of 2022, revenue from proprietary products contributed 91.4% of our total revenue. Revenue from proprietary products increased by 36.2% from RMB1,582.4 million for the first half of 2021 to RMB2,155.7 million for the first half of 2022.

Proprietary products of Pop Mart are mainly divided into: proprietary IPs, exclusive licensed IPs and non-exclusive licensed IPs, and below sets forth a breakdown of revenue by IPs:

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	Revenue <i>RMB'000</i>	Proportion of revenue	Revenue <i>RMB'000</i>	Proportion of revenue
Proprietary products	2,155,652	91.4%	1,582,391	89.3%
Proprietary IPs	1,528,226	64.8%	900,409	50.9%
– SKULLPANDA	461,766	19.6%	183,042	10.3%
– Molly	404,347	17.1%	203,900	11.5%
– Dimoo	298,442	12.7%	204,993	11.6%
– Sweet Bean	81,247	3.4%	63,719	3.6%
– Bunny	43,498	1.8%	101,913	5.8%
– HIRONO	37,538	1.6%	–	–
– Other proprietary IPs	201,388	8.6%	142,842	8.1%
Exclusive licensed IPs	326,798	13.9%	394,316	22.2%
– The Monsters	134,887	5.7%	145,789	8.2%
– PUCKY	63,665	2.7%	107,097	6.1%
– Other exclusive licensed IPs	128,246	5.5%	141,430	7.9%
Non-exclusive licensed IPs	300,628	12.7%	287,666	16.2%
External procurement and consignment	203,166	8.6%	190,186	10.7%
Total	2,358,818	100.0%	1,772,577	100.0%

- **Proprietary IPs.** Proprietary IPs are the major product type of the Company, primarily including Molly, SKULLPANDA, Dimoo and Sweet Bean. The proportion of revenue from proprietary IPs increased from 50.9% for the first half of 2021 to 64.8% for the first half of 2022, representing a significant increase in revenue contribution. Revenue from proprietary IPs increased by 69.7% from RMB900.4 million for the first half of 2021 to RMB1,528.2 million for the first half of 2022, primarily due to the increased revenue contribution from sales of SKULLPANDA, Molly, and Dimoo and revenue contribution from sales of MEGA products.
- **Exclusive licensed IPs.** Revenue from exclusive licensed IPs decreased by 17.1% from RMB394.3 million for the first half of 2021 to RMB326.8 million for the first half of 2022, primarily due to the decrease in the sales of new series of The Monsters and PUCKY in the first half of 2022 arising from scheduling.
- **Non-exclusive licensed IPs.** Revenue from non-exclusive licensed IPs increased by 4.5% from RMB287.7 million for the first half of 2021 to RMB300.6 million for the first half of 2022, primarily due to the sales of new series products in the first half of 2022.

Costs of sales

Our costs of sales increased by 50.8% from RMB655.5 million for the first half of 2021 to RMB988.4 million for the first half of 2022. The increase was primarily due to the increase in costs of goods from RMB518.9 million for the first half of 2021 to RMB868.0 million for the first half of 2022, which was mainly due to the increase in sales and the increase in unit cost of goods.

Gross profit

The Company's gross profit increased by 22.7% from RMB1,117.1 million for the first half of 2021 to RMB1,370.4 million for the first half of 2022, primarily due to the increase in revenue. Our gross profit margin dropped from 63.0% for the first half of 2021 to 58.1% for the first half of 2022, primarily due to the decline in gross profit margin of our Pop Mart proprietary products.

Gross profit from our Pop Mart proprietary products increased by 23.2% from RMB1,058.2 million for the first half of 2021 to RMB1,303.4 million for the first half of 2022, primarily due to the increase in revenue from Pop Mart proprietary products. Gross profit margin of Pop Mart proprietary products dropped from 66.9% for the first half of 2021 to 60.5% for the first half of 2022, primarily due to the fact that (1) the raw material prices and processing costs per process in OEM factories increased as a result of the increasing complexity of our products; (2) we conducted some promotional activities in the first half of 2022 due to the pandemic.

Gross profit generated from external procurement and other products increased by 13.8% from RMB58.9 million for the first half of 2021 to RMB67.0 million for the first half of 2022. Gross profit margin of external procurement and other products increased from 31.0% for the first half of 2021 to 33.0% for the first half of 2022, primarily due to the slight increase in cost of product procurement as a result of the optimization of product structure.

Distribution and selling expenses

Our distribution and selling expenses increased by 65.1% from RMB419.8 million for the first half of 2021 to RMB693.2 million for the first half of 2022. Among which, (1) employee benefit expenses; (2) advertising and marketing expenses accounted for higher proportions.

- **Employee benefit expenses.** Employee benefit expenses increased by 80.5% from RMB108.6 million for the first half of 2021 to RMB196.0 million for the first half of 2022, mainly due to (1) the increase in the number of sales personnel from 1,909 for the first half of 2021 to 2,374 for the first half of 2022, mainly for supporting the expansion of our retail stores and roboshop network; and (2) share-based payment for share incentive scheme of RMB13.2 million in aggregate.

- **Advertising and marketing expenses.** Advertising and marketing expenses increased by 100.9% from RMB56.8 million for the first half of 2021 to RMB114.1 million for the first half of 2022, mainly due to the increase in the promotion of online and offline channels. For example, we promote Pop Mart brand through the platform promotion of WeChat box extractor and Tmall, the promotion of MEGA products, other videos and the IP theme exhibition and so forth.

General and administrative expenses

Our general and administrative expenses increased by 34.6% from RMB239.7 million for the first half of 2021 to RMB322.7 million for the first half of 2022. Among which, (1) employee benefit expenses; (2) depreciation of right-of-use assets accounted for higher proportions.

- **Employee benefit expenses.** Employee benefit expenses increased by 21.4% from RMB170.0 million for the first half of 2021 to RMB206.2 million for the first half of 2022, mainly due to (1) the increase in number of our administrative and design development personnel from 1,211 for the first half of 2021 to 1,506 for the first half of 2022, mainly for supporting our product development and business expansion, as well as the rise in remuneration level for attracting talents; and (2) share-based payment for share incentive scheme of RMB30.1 million in aggregate.
- **Depreciation of right-of-use assets.** Depreciation of right-of-use assets increased from RMB13.8 million for the first half of 2021 to RMB24.7 million for the first half of 2022, representing an increase of 78.9% which is mainly due to the expansion of office leasing to meet office demand.

Other income

Other income of the Company decreased by 4.3% from RMB25.4 million for the first half of 2021 to RMB24.3 million for the first half of 2022. Among which, (1) IP licensing income from brand cooperation projects such as Uniqlo and L'Oréal increased from RMB17.8 million for the first half of 2021 to RMB18.9 million for the first half of 2022, and (2) government grants decreased from RMB6.7 million for the first half of 2021 to RMB4.8 million for the first half of 2022.

Other gains – net

We recorded other gains, net of RMB6.9 million for the first half of 2021, and other gains, net of RMB67.1 million for the first half of 2022, primarily due to the fair value changes of equity investments and fund investments for the first half of 2022.

Operating profit

In light of the above, the Company's operating profit decreased by 8.3% from RMB486.7 million for the first half of 2021 to RMB446.1 million for the first half of 2022.

Finance income – net

Our finance income, net, increased from net gains of RMB5.7 million for the first half of 2021 to net gains of RMB7.0 million for the first half of 2022, primarily due to the increase in our interest income.

Income tax expense

Our income tax expense decreased from RMB137.8 million for the first half of 2021 to RMB125.0 million for the first half of 2022 as a result of the decrease in profit before income tax. Our effective tax rate declined from 27.7% for the first half of 2021 to 27.3% for the first half of 2022.

Profit for the period

As a result of the above, our profit for the period decreased from RMB358.8 million for the first half of 2021 to RMB332.9 million for the Reporting Period, representing a decrease of approximately 7.2%.

Reference is made to the profit warning announcement of the Company dated 15 July 2022 (the “**Profit Warning Announcement**”), in which the Company estimated the Group's profit for the Reporting Period will decrease by no more than 35% as compared with that for the corresponding period last year. The Company would like to clarify that the actual percentage of decrease in profit for the period is approximately 7.2%, which, though within the range, is less than the expected percentage level as indicated in the Profit Warning Announcement. The Board would like to emphasize that the information contained in the Profit Warning Announcement was based on the preliminary review by the Board on the unaudited management accounts of the Group for the Reporting Period and the latest information available to the Board up to the date of the Profit Warning Announcement. The discrepancy between the actual profit and the estimated profit is mainly attributable to a significant fair value changes of certain fund investment of the Company, in the amount of approximately RMB58.8 million, which became available to the Board after the date of the Profit Warning Announcement. For more details, please refer to the sub-section headed “Other gains–net” above.

Non-IFRS adjusted net profit

The non-IFRS adjusted net profit has not been calculated in accordance with the IFRS, thus it is deemed as non-IFRS financial indicator. The non-IFRS adjusted net profit refers to the net profit after excluding share-based payment, while the non-IFRS adjusted net profit margin refers to the non-IFRS adjusted net profit divided by revenue. We are of the view that such information is useful for investors to compare the results of the Group, provided that the results of operation or cash flows of the Group are not being affected, and enables investors to take into consideration of the indicators used by the management when assessing the results of the Group. Investors shall not treat non-IFRS financial indicator as an alternative or better version of the results of the Group prepared in accordance with IFRS. In addition, not all companies will adopt the same way in calculating such non-IFRS financial indicators. Hence, similar measurements made by other companies may not be comparable.

The following table sets out the reconciliation of non-IFRS financial indicators of the Company for the respective periods.

	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
Profit for the period	332,945	358,798
Adjustments		
Share-based payment	43,340	76,391
Non-IFRS adjusted net profit	376,285	435,189
Non-IFRS adjusted net profit margin	16.0%	24.6%

Share-based payment expenses are non-cash items, which do not directly reflect our business operation. Hence, through eliminating the effects of such items on calculation of non-IFRS adjusted net profit, relevant operating performance can be better reflected, and it would be more convenient to compare operating performance in different years.

Current assets, Financial Resources and Capital Expenditures

For the six months ended 30 June 2022, the Company and its subsidiaries adopted conservative and stable fund management and financial policies in their overall business operations. The Group maintained the following resources to meet its working capital requirements:

Current assets and current liabilities

Our net current assets increased from RMB5,664.6 million as of 31 December 2021 to RMB5,815.8 million as of 30 June 2022, which was basically stable.

Trade receivables

Trade receivables represent outstanding amounts receivable by us from our customers in the ordinary course of business. Our trade receivables decreased from RMB171.3 million as of 31 December 2021 to RMB132.4 million as of 30 June 2022. The decrease was primarily due to the decrease in payments from Nanjing Pop Mart, our related party distributor. Trade receivables turnover days increased from 10 days in 2021 to 12 days for the six months ended 30 June 2022.

Inventories

Our inventories comprise finished goods. Our inventories increased from RMB788.8 million as of 31 December 2021 to RMB957.4 million as of 30 June 2022. The increase was primarily due to the increase in product inventories to meet the increasing product demands and the increase in our balance of inventories as a result of our sales falling short of our expectations due to the impact of the pandemic in the first half of 2022. Inventory turnover days increased from 128 days in 2021 to 160 days for the six months ended 30 June 2022.

Cash and cash equivalents

Our cash and cash equivalents primarily comprise cash at bank. Cash and cash equivalents decreased from RMB5,264.7 million as of 31 December 2021 to RMB1,075.4 million as of 30 June 2022, primarily due to our purchase of time deposits with one-year term.

Trade payables

Trade payables primarily represent our obligation to pay for merchandise from suppliers in the ordinary course of business. Trade payables increased from RMB266.1 million as of 31 December 2021 to RMB308.5 million as of 30 June 2022, primarily due to the increase in procurement amount as a result of our business growth, which in turns resulted in the increase in balance of payables to suppliers. Trade payable turnover days increased from 40 days in 2021 to 60 days for the six months ended 30 June 2022,

Bank borrowings

The Group did not have any bank borrowings as of 30 June 2022.

Pledge of Assets

The Group did not have any pledged assets as of 30 June 2022.

Gearing Ratio

The gearing ratio is calculated by dividing total liabilities by total assets and then multiplying by 100%. As at 30 June 2022, the gearing ratio of the Group was 17.2% as compared with the gearing ratio of 18.1% as at 31 December 2021.

Contingency

We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we are involved in such material legal proceedings, we would record any loss or contingent liabilities when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

On 28 August 2020, we received a court summons dated 19 August 2020 in relation to a claim brought by Golden Eagle International Retail Group (China) Co., Ltd. (金鷹國際商貿集團(中國)有限公司) as a shareholder on behalf of Nanjing Golden Eagle Pop Mart Trading Co., Ltd. at the Jiangsu Nanjing Intermediate People's Court (江蘇省南京市中級人民法院) against Beijing Pop Mart Culture & Creative Co., Ltd. On 17 June 2021 and 10 June 2022, two hearings of the above case were held respectively, and the major proceedings were the collection and verification of further information provided by Golden Eagle International and the Group. Up to the date of approval of this interim condensed consolidated financial information, the above case is still in process. As advised by our PRC legal adviser, the claim brought by Golden Eagle International is groundless, and the likelihood that the claim will be decided in favor of Golden Eagle International is very low. The risk exposure of the Company from the claim is minimal and the claim will not have a material adverse impact on our operations and financial performance. Hence, no provision in relation to this claim has been recognized in the consolidated financial statements.

Foreign Exchange Risk Management

We operate mainly in the PRC with most of the transactions settled in RMB. Our management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of our Group denominated in currencies other than the respective functional currencies of our operating entities. For the six months ended 30 June 2022, we did not hedge against any fluctuation in foreign currency.

Capital Expenditures

The Company's capital expenditures consist of purchases of property, plant and equipment and purchases of intangible assets. The table below sets out the Company's capital expenditures for the first half of 2021 and the first half of 2022:

	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
Purchases of property, plant and equipment	135,860	114,350
Purchase of intangible assets	26,253	12,460
Total	<u>162,113</u>	<u>126,810</u>

Human Resources

As of 30 June 2022, we had a total of 3,880 employees, including 2,374 sales personnel and 1,506 administrative and development personnel. For the six months ended 30 June 2022, we incurred staff costs (including remuneration, payrolls, allowances and benefits) of RMB402.2 million in total.

Future Plans on Significant Investments

As of 30 June 2022, we did not hold any significant investment.

We will continue to seek for potential strategic investment opportunities, as well as potential quality target operations and assets that can create synergy effect to the Group.

Material Acquisitions and Disposals

For six months ended 30 June 2022, we had not conducted any material acquisition or disposal of subsidiaries, associates and joint ventures.

SUBSEQUENT EVENT AFTER REPORTING PERIOD

As at the date of this announcement, the Group has no significant events occurred after the Reporting Period which require additional disclosures or adjustments.

OUTLOOK

IP is at the core of our business. Through our innovative products, delicate design and quality services, we aim to offer consumers with joyful pop culture and artistic experience. At the same time, by increasing our brand value, we will enhance the brand loyalty of users on Pop Mart products, thereby maintaining our strong market position and competitiveness.

We will strive to enrich our IPs types, expand our IPs base, maintain high-quality design and innovation standards, introduce more products under the head series, operate IPs continuously, strengthen IPs mentality, and deepen the emotional connection between fans and IPs. In addition, we will increase types of pop toys, further explore the development of box products such as MEGA, side products and BJD, and improve relevant technologies and production and sales procedures.

Our overseas business will be promoted in an all-round way by accelerating the overseas DTC strategy, deploying physical stores, roboshops, overseas e-commerce platforms and other channels to promote the global penetration of our brand and increase our brand awareness and market share in pop toy market in overseas countries and regions. Localization of operation is the core of our overseas operations. While enhancing the shopping experience and interaction of end consumers, we will also cooperate with more local partners and artists to explore more business models, IPs and product types that meet the needs of local market.

We will strive to expand our channel network so as to reach more users. In addition, we will continue to strengthen our operating capability, improve user shopping experience, enhance member expansion and member operation capability, promote innovative retail digitalized operation, reach and retain users through diversified measures, and offer customized, better services.

We will continue to promote pop toy culture through more diversified means, influence the whole industry continuously, offer more benefits for our privilege members, increase the stickiness of fans, as well as enhance the cultural identity and brand awareness of fans.

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 December 2020 by way of global offering, and the total net proceeds (the “**Net Proceeds**”) received by the Company from the global offering (including the full exercise of the over-allotment option) amounted to approximately HK\$5,781.7 million after deducting professional fees, underwriting commissions and other related listing expenses.

As stated in the prospectus of the Company dated 1 December 2020 (the “**Prospectus**”), the intended uses and the balance of the Net Proceeds are set out below:

Intended use of Net Proceeds	Allocation of Net Proceeds	Percentage of total Net proceeds	Amount of Net Proceeds utilized up to 30 June 2022	Balance of Net Proceeds unutilized as at 30 June 2022	Intended timetable for use of the unutilized Net Proceeds
(i) To finance part of our expansion plans of consumer access channels and overseas markets	HK\$1,734.5 million	30.0%	HK\$1,094.4 million	HK\$640.1 million	Before 31 December 2024
(a) for opening new retail stores	HK\$954.0 million	16.5%	HK\$897.5 million	HK\$56.5 million	
(b) for opening new roboshops	HK\$346.9 million	6.0%	HK\$140.6 million	HK\$206.3 million	
(c) for expanding our business into overseas markets	HK\$433.6 million	7.5%	HK\$56.3 million	HK\$377.3 million	
(ii) To fund our potential investments in, acquisitions of and strategic alliance with companies along the value chain of our industry	HK\$1,561.1 million	27.0%	HK\$311.8 million	HK\$1,249.3 million	Before 31 December 2024
(iii) To invest in technology initiatives to strengthen our marketing and fan engagement efforts, and to enhance the digitalization of our business	HK\$867.2 million	15.0%	HK\$226.5 million	HK\$640.7 million	
(a) for talent recruitment	HK\$173.5 million	3.0%	HK\$41.0 million	HK\$132.5 million	Before 31 December 2023

Intended use of Net Proceeds	Allocation of Net Proceeds	Percentage of total Net proceeds	Amount of Net Proceeds utilized up to 30 June 2022	Balance of Net Proceeds unutilized as at 30 June 2022	Intended timetable for use of the unutilized Net Proceeds
(b) for acquiring relevant software and hardware to enhance digitalization and establish information systems for digital marketing, customer services, logistics, products, supply chain, warehousing, membership, transactions and store management and marketing	HK\$346.9 million	6.0%	HK\$49.2 million	HK\$297.7 million	Before 31 December 2024
(c) for optimizing our online marketing efforts, which primarily consist of strategically placed advertisement, icons, links and news feeds on third party promotional platforms	HK\$346.8 million	6.0%	HK\$136.3 million	HK\$210.5 million	Before 31 December 2024
(iv) To expand our IP pool	HK\$1,040.7 million	18.0%	HK\$177.2 million	HK\$863.5 million	
(a) for enhancing our ability to identify outstanding artists	HK\$260.3 million	4.5%	HK\$97.4 million	HK\$162.9 million	Before 31 December 2024
(b) for recruiting talented designers to join our in-house design team to enhance our in-house original IP development capability by providing competitive salary	HK\$86.6 million	1.5%	HK\$79.8 million	HK\$6.8 million	Before 31 December 2023
(c) for acquisitions of popular IPs from to expand our IP pool	HK\$693.8 million	12.0%	–	HK\$693.8 million	Before 31 December 2024
(v) Working capital and general corporate purposes	HK\$578.2 million	10.0%	HK\$578.2 million	–	Before 31 December 2023

The Group will utilise the Net Proceeds of the initial public offering in accordance with the intended purposes as set out in the Prospectus.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the six months ended 30 June 2022, except for deviation from code provision C.2.1 as explained under the paragraph headed “Chairman and Chief Executive Officer” below.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive should be segregated and should not be performed by the same individual. According to the current structure of the Board, the positions of the Chairman and Chief Executive Officer of the Company are held by Mr. Wang Ning.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three Independent Non-executive Directors out of nine Directors, and the Board believes there is sufficient check and balance on the Board; (ii) Mr. Wang Ning and other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions of the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. Finally, as Mr. Wang Ning is our principal founder, the Board believes that vesting the roles of both chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries of all directors of the Company (the “**Directors**”), each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, the Company repurchased a total of 4,365,400 shares of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$145,464,660. Particulars of the shares repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price Paid per Share		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
February	1,410,200	39.95	36.85	54,112,720
March	513,000	32.00	31.60	16,361,170
April	893,600	34.05	32.65	29,998,460
May	1,548,600	29.90	27.95	44,992,310
Total	4,365,400			145,464,660

Save as disclosed above, during the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee comprises two Independent Non-executive Directors and one Non-executive Director, namely, Mr. Wu Liansheng, Mr. Ngan King Leung Gary and Mr. Tu Zheng. The chairman of the Audit Committee is Mr. Wu Liansheng, and Mr. Ngan King Leung Gary, a member of the Audit Committee, has a professional qualification in accountancy.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the interim financial information for the six months ended 30 June 2022.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended 30 June 2022 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PUBLICATION OF THE INTERIM RESULTS AND 2022 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.popmart.com), and the 2022 Interim Report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
POP MART INTERNATIONAL GROUP LIMITED
Wang Ning

Executive Director, Chairman of the Board and Chief Executive Officer

Hong Kong, 25 August 2022

As at the date of this announcement, the executive Directors are Mr. Wang Ning, Ms. Yang Tao, Ms. Liu Ran and Mr. Si De, the non-executive Directors are Mr. Tu Zheng and Mr. He Yu, and the independent non-executive Directors are Mr. Zhang Jianjun, Mr. Wu Liansheng and Mr. Ngan King Leung Gary.